



## **Why Software as a Service (SaaS) Works**

### ***'The Best of The Best' Benefits of SaaS***

Software as a Service (SaaS) can be defined as software developed and hosted by specialty vendors. It is used by organizations that choose not to run the software in-house, but still need the application(s).

Many software industry analysts are touting the benefits of SaaS. In a 2005 SaaS related memo, Bill Gates said the "next sea change is upon us,"<sup>1</sup> meaning that SaaS is the next evolutionary step in software delivery. Benefits promised by SaaS are significant and diverse, and while medium-sized organizations were the first to widely embrace it, small and large entities now also seek the advantages of SaaS.

This white paper identifies the SaaS benefits most commonly observed by nubill. From a larger pool of primary and secondary research on SaaS benefits, we narrowed the sources for this white paper to internal nubill observations and the most helpful writings otherwise on hand (see bibliography). The following are the most commonly highlighted benefits of SaaS:

1. Focusing on Your Core Competencies
2. Reducing Barriers to Entry
3. Saving Money Now and Later
4. Enjoying Predictable Cash Flows
5. Quicker Time to Market

#### **Focusing on Your Core Competencies**

By looking to Software as a Service (SaaS) vendors for necessary, non-core tools, your team will have more time to focus on your core operations, rather than on back office issues that frequently distract from the core mission (e.g. delivery of content, network quality of service, etc.).

By working with a SaaS vendor, organizations no longer worry about managing in-house software and infrastructure. The burden of keeping software up-to-date and online now falls upon the SaaS vendor.

#### **Reducing Barriers to Entry**

Whether large or small scale, the relative investments associated with deploying billing and customer care software and related infrastructure is significant. SaaS overcomes this by avoiding large, up front software license(s), infrastructure, employee(s), and training investments.

Beyond initial software and hardware deployment and training phases, organizations face recurring upgrade expenses to gain access to latest technologies. SaaS provides immediate, low cost access to new technologies. SaaS vendors also retain the duty to manage underlying infrastructure.

#### **Saving Money Now and Later**

As mentioned in the "Reducing Barriers to Entry" section, organizations utilizing SaaS vendors enjoy immediate, low cost access to enterprise-grade solutions. Relative savings are tremendous for



organizations of any size. Furthermore, SaaS monthly fees typically fall significantly below the expenses of maintaining in-house solutions. Specific areas of expense consolidation and savings include:

- software licenses
- software maintenance agreements
- supporting hardware and software (i.e. operating systems, database engines, servers)
- software and hardware upgrades
- human resources
- rack space, increased utilities, insurance, etc.

While SaaS vendors do charge for their services, it is regularly the case that the monthly service fees fall below expenses associated with month-to-month expenses incurred to support the same application(s) in-house. The tremendous savings captured in lieu of major software, hardware, maintenance contracts, and upgrade purchases can be reallocated as necessary for increasing market share and developing other competitive advantages.

### **Enjoying Predictable Cash Flows**

Not only will leveraging SaaS reduce immediate and continued expenses associated with running important, non-core, applications in-house, but organizations using solutions from SaaS vendors are much more capable of forecasting cash flow requirements associated with applications, like billing and customer care software. Additionally, since most SaaS vendors, like nubill, tie service fees to the activity levels of their customers, cash outflows for SaaS users should reflect the then current realities of an organization's broader performance.

### **Quicker Time to Market**

Efficiencies in software deployment, customization, and maintenance go hand in hand with the greater cost savings offered by SaaS firms like nubill corporation. By specializing in a specific field, SaaS vendors are capable of deploying new systems or helping organizations to bring on new services much faster than is typically done in-house. In rapidly evolving industries, such as telecom, speed to market is paramount to an organization's success. The chances of beating competitors to market increase significantly by partnering with SaaS vendors like nubill.

#### **Bibliography**

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